

DEPARTMENT OF TRANSPORTATION**AUDITS AND INVESTIGATIONS**

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May 30, 2008

Ms. Kathryn Mathews, Executive Director
El Dorado County Transportation Commission
550 Main Street, Suite C
Placerville, CA 95677

Re: El Dorado County Transportation Commission
Audit of Indirect Cost Allocation Plan FY 2007/08
File No: P1190-0652

Dear Ms. Mathews:

We have audited the El Dorado County Transportation Commission's (EDCTC's) Indirect Cost Allocation Plan (ICAP) for the fiscal year ended June 30, 2008 to determine whether the ICAP is presented in accordance with Office of Management and Budget (OMB) Circular A-87 and the Department of Transportation's (Department's) Local Programs Procedures (LPP) 04-10. The EDCTC management is responsible for the fair presentation of the ICAP. The EDCTC proposed an indirect cost rate of 21.87% of total direct salaries and wages plus fringe benefits.

Our audit was conducted in accordance with the Standards for Performance Audits set forth in the *Government Auditing Standards* issued by the Comptroller General of the United States of America. The audit was less in scope than an audit performed for the purpose of expressing an opinion on the financial statements of the EDCTC. Therefore, we did not audit and are not expressing an opinion on the EDCTC's financial statements.

The standards require that we plan and perform the audit to obtain reasonable assurance about whether the data and records reviewed are free of material misstatement, as well as material noncompliance with fiscal provisions relative to the ICAP. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the data and records reviewed. An audit also includes assessing the accounting principles used and significant estimates made by the EDCTC, as well as evaluating the overall presentation.

The accompanying ICAP was prepared on a basis of accounting practices prescribed in the OMB Circular A-87 and the Department's LPP 04-10, and is not intended to present the results of operations of the EDCTC in conformity with generally accepted accounting principles.

The scope of the audit was limited to select financial and compliance activities. The audit consisted of a recalculation of the ICAP, a limited review of the Overall Work Program for FY 07/08, a review of the EDCTC's Independent audit report for the fiscal years ended June 30, 2006 and 2007, inquiries of EDCTC personnel and reliance placed on prior audit field work completed on June 24, 2004. We believe that our audit provides a reasonable basis for our conclusion.

Because of inherent limitations in any financial management system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the financial management system to future periods are subject to the risk that the financial management system may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

AUDIT RESULTS

Based on audit work performed, the EDCTC's ICAP for the fiscal year ended June 30, 2008 is presented in accordance with OMB Circular A-87 and LPP 04-10. The approved indirect cost rate is 21.87% of total direct salaries and wages plus fringe benefits. The approval is based on the understanding that a carry-forward provision applies and no adjustment will be made to previously approved rates.

This report is intended solely for the information of the EDCTC, Department Management, the California Transportation Commission and the Federal Highway Administration (FHWA). However, this report is a matter of public record and its distribution is not limited.

Please retain the approved Indirect Cost Allocation Plan for your files. Copies were sent to the Department's District 3, the Department's Division of Accounting and the FHWA. If you have any questions, please contact Jimmy Motta, Auditor, at (916) 323-7914 or Arnada Maenpaa, Audit Supervisor, at (916) 323-7868.


MARYANN CAMPBELL-SMITH
Chief, External Audits

Attachments

c: Brenda Bryant, FHWA
Gary Buckhammer, Division of Accounting
Ben Bramer, District 3
Andrew Knapp, Division of Planning
Gabriel Corley, District 3

File copy: P1190-0652

El Dorado County Transportation Commission Indirect Cost Plan – FY 2007/2008

The indirect cost rate contained herein is for use on grants, contracts and other agreements with the Federal Government and California Department of Transportation (Caltrans), subject to the conditions in Section II. This plan was prepared by the El Dorado County Transportation Commission and approved by Caltrans.

SECTION I: Rates

| <u>Rate Type</u> | <u>Effective Period</u> | <u>Rate *</u> | <u>Applicable to</u> |
|--------------------------|--------------------------------|----------------------|-----------------------------|
| Fixed with carry forward | 7/1/07 - 6/30/08 | 21.87% | All programs |

* Base: Total Direct Salaries and Wages plus fringe benefits

SECTION II: General Provisions

A. Limitations

The rates in this Agreement are subject to any statutory or administrative limitations and apply to a given grant, contract, or other agreement only to the extent that funds are available. Acceptance of the rates is subject to the following conditions: (1) Only costs incurred by the organization were included in its indirect cost pool as finally accepted: such costs are legal obligations of the organization and are allowable under the governing cost principles; (2) The same costs that have been treated as indirect costs are not claimed as direct costs; (3) Similar types of costs have been accorded consistent accounting treatment; and (4) The information provided by the organization which was used to establish the rates is not found to be materially incomplete or inaccurate by the Federal Government or Caltrans. In such situations the rate(s) would be subject to renegotiation at the discretion of the Federal Government or Caltrans; (5) Prior actual costs used in the calculation of the approved rate are contained in the grantee's Single Audit which was prepared in accordance with OMB Circular A-133. If a Single Audit is not required to be performed, then audited financial statements should be used to support the prior actual costs; and, (6) The estimated costs used in the calculation of the approved rate are from the grantee's approved budget in effect at the time of approval of this plan.

B. Accounting Changes:

This Agreement is based on the accounting system purported by the organization to be in effect during the Agreement period. Changes to the method of accounting for costs which affect the amount of reimbursement resulting from the use of this Agreement require prior approval of the authorized representative of the cognizant agency. Such changes include, but are not limited to, changes in the charging of a particular type of cost from indirect to direct. Failure to obtain approval may result in cost disallowances.

C. Fixed Rate with Carry Forward:

The fixed rate used in this Agreement is based on an estimate of the costs for the period covered by the rate. When the actual costs for this period are determined—either by the grantee's Single Audit or if a Single Audit is not required, then by the grantee's audited financial statements—any differences between the application of the fixed rate and actual costs will result in an over or under recovery of costs. The over or under recovery will be carried forward, as an adjustment to the calculation of the indirect cost rate, to the second fiscal year subsequent to the fiscal year covered by this plan.

EDCTC Indirect Cost Plan
FY 2007/2008
Page Two

D. Audit Adjustments:

Immaterial adjustments resulting from the audit of information contained in this plan shall be compensated for in the subsequent indirect cost plan approved after the date of the audit adjustment. Material audit adjustments will require reimbursement from the grantee.

E. Use by Other Federal Agencies

Authority to approve this agreement by Caltrans has been delegated by the Federal Highway Administration, California Division. The purpose of this approval is to permit subject local government to bill indirect costs to Title 23 funded projects administered by the Federal Department of Transportation (DOT). This approval does not apply to any grants, contracts, projects, or programs for which DOT is not cognizant Federal agency.

The approval will also be used by Caltrans in State-only funded projects.

F. Other:

If any Federal contract, grant, or other agreement is reimbursing indirect costs by a means other than the approved rate(s) in this Agreement, the organization should (1) credit such costs to the affected programs, and (2) apply the approved rate(s) to the appropriate base to identify the proper amount of indirect costs allocable to these programs.

G. Rate Calculation:

The indirect cost rate of 21.87% for fiscal year 2007/2008 is calculated as follows:

| | |
|---|--------------------|
| FY 2007/2008 Budgeted Indirect Costs | \$ 147,737 |
| Carry Forward from FY 2005/2006 | <u>(\$ 25,667)</u> |
| Estimated FY 2007/2008 Indirect Costs | \$ 122,070 |
| FY 2007/2008 Budgeted Direct Salaries and Wages plus fringe benefits | \$ 558,112 |
| FY 2007/2008 Indirect Cost Rate | 21.87% |

CERTIFICATION OF INDIRECT COSTS


This is to certify that I have reviewed the indirect cost rate proposal submitted herewith and to the best of my knowledge and belief:

- (1) All costs included in this proposal to establish billing or final indirect cost rates for fiscal year 2007/2008 (July 1, 2007 to June 30, 2008) are allowable in accordance with the requirements of the Federal and State award(s) to which they apply and OMB Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments." Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan.
- (2) All costs included in this proposal are properly allocable to Federal and State awards on the basis of a beneficial and causal relationship between the expenses incurred and the agreements to which they are allocated in accordance with the applicable requirements. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently and the Federal Government and Caltrans will be notified of any accounting changes that would affect the fixed rate.

I declare that the foregoing is true and correct.

Governmental Unit: El Dorado County Transportation Commission


Signature


Signature

Reviewed, Approved and Submitted by:

Prepared by:


Kathryn F. Mathews, AICP
Executive Director
Date: 6/11/07

Shirley LeBlanc,
Administrative Services Officer
Telephone: 530-642-5264

INDIRECT COST RATE APPROVAL

The State DOT has reviewed the indirect cost plan and hereby approved the plan.


Signature (Chief, External Audits)


Signature (Auditor)

Reviewed and Approved by:

Reviewed and Approved by:

Name: Mary Ann Campbell
Title: Chief, External Audits
Date: 5-30-08
Phone Number: 916-323-7105

Name: J. Amy Motta
Title: Aud. To.
Date: 5/30/08
Phone Number: 916-323-7914

El Dorado County Transportation Commission
FY 2007/2008 Indirect Cost Allocation Plan
Carry Forward Calculation

Based upon FY 2007/2008 OWP & Budget (accepted at 6/7/07 EDCTC meeting)

| FISCAL YEAR APPROVED IC RATE | 2004/05 20.41% | 2005/06 19.92% | 2006/07 20.84% |
|--|---------------------------|---------------------------|---------------------------|
| INDIRECT CARRY FORWARD | | | |
| Carry Forward (2nd fiscal year subsequent to current year) | (33,652) | (12,787) | (35,282) |
| Indirect Costs from Single Audit | <u>82,467</u> | <u>79,160</u> | |
| Total Indirect Costs | 48,815 | 66,373 | |
| RECOVERED COSTS | | | |
| Direct Salaries & Wages + Fringe Benefits (per Single Audit) | 412,039 | 462,047 | |
| Approved Indirect Cost Rate | 20.41% | 19.92% | |
| Total Recovered Indirect Costs | 84,097 | 92,040 | |
| Total Indirect Costs | 48,815 | 66,373 | |
| Total Recovered Indirect Costs | <u>(84,097)</u> | <u>(92,040)</u> | |
| Indirect Carry Forward | (35,282) | (25,667) | |

| APPROVED IC RATE | 2007/2008 |
|--|------------------|
| (Estimated Indirect Costs / Direct Salary & Wages + Fringe Benefits) | 21.87% |

| | |
|---|----------------|
| Carry Forward (2nd fiscal year subsequent to current year) | (25,667) |
| Estimated Indirect Costs (from FY 2007/2008 OWP & Budget) | <u>147,737</u> |
| Total Estimated Indirect Costs | 122,070 |
| Estimated Direct Salary & Wages + Fringe Benefits (from FY 2007/2008 OWP & Budget) | 558,112 |
| Total Estimated Indirect Costs | 122,070 |
| Estimated Direct Salary & Wages + Fringe Benefits | 558,112 |
| Approved Indirect Cost Rate | 21.87% |

El Dorado County Transportation Commission
FY 2007/08 OWP & Budget (approved 6/7/07 EDCTC)
Indirect Cost Allocation Plan

ATTACHMENT 2

| | <u>Direct Costs</u> | <u>Indirect Costs</u> | <u>Unallowable Costs</u> | <u>Total Budget</u> |
|--|---------------------|-----------------------|--------------------------|---------------------|
| Direct Salary & Wages | 321,724 | | | 321,724 |
| Fringe Benefits | <u>236,387</u> | | | <u>236,387</u> |
| Total Salary & Wages + Fringe Benefits | 558,112 | - | | 558,112 |
| INDIRECT COSTS | | | | |
| Salary & Wages - Extra Help | | 5,000 | | 5,000 |
| Communications | 520 | 7,700 | | 8,220 |
| Insurance - Other | | 2,500 | | 2,500 |
| Maintenance - Equipment | 150 | 8,650 | | 8,800 |
| Professional Memberships & Dues | 15,829 | 2,301 | | 18,130 |
| Office Expense - General | 2,000 | 25,000 | | 27,000 |
| Postage & Courier | 1,250 | 1,250 | | 2,500 |
| Professional and Special Services - Accounting | | 5,000 | | 5,000 |
| Professional and Special Services - Independent Audit | 16,625 | | | 16,625 |
| Professional and Special Services - Legal | 25,000 | | | 25,000 |
| Professional and Special Services - Planning/Engineering | 328,000 | | | 328,000 |
| Professional and Special Services - SACOG | 73,816 | | | 73,816 |
| Professional and Special Services - Other Agencies | 199,647 | | | 199,647 |
| Professional Development | 10,500 | 2,000 | | 12,500 |
| Publications & Subscriptions | 2,000 | 1,500 | | 3,500 |
| Rents - Equipment | 3,000 | 3,000 | | 6,000 |
| Rents - Structure | | 69,836 | | 69,836 |
| Transportation and Travel | 9,000 | | | 9,000 |
| Commissioner Expenses | <u>7,000</u> | | | <u>7,000</u> |
| SUBTOTAL | <u>694,337</u> | <u>133,737</u> | | <u>828,074</u> |
| TOTAL BUDGET | 1,252,448 | 133,737 | | <u>1,386,185</u> |
| Depreciation - F&E | | 10,000 | | 10,000 |
| Amortization - LHI | | <u>4,000</u> | | <u>4,000</u> |
| TOTAL INDIRECT COSTS | | <u>147,737</u> | | |

| | |
|---|-----------------|
| Estimated Rate Including Indirect Carryover: | |
| Total Indirect Costs | 147,737 |
| Indirect Cost Carryforward, from FY 2005/2006 | <u>(25,667)</u> |
| | 122,070 |
| Direct Salary & Wages + Fringe Benefits | 558,112 |
| | <u>21.87%</u> |

Jimmy
Motta/HQ/Caltrans/CAGov
06/02/2008 03:29 PM

To Gary Buckhammer/HQ/Caltrans/CAGov@DOT
cc Ben Bramer/D03/Caltrans/CAGov@DOT, Andrew
Knapp/HQ/Caltrans/CAGov@DOT, Gabriel
Corley/D03/Caltrans/CAGov@DOT,
bcc
Subject El Dorado County Transportation Commission FY 07/08
ICAP Certification

El Dorado County Transportation Commission FY 07/08 ICAP Certification

Jimmy Motta, Auditor
Caltrans Audits & Investigations
(916) 323 - 7914



FY 07-08 ICAP Certification.pdf